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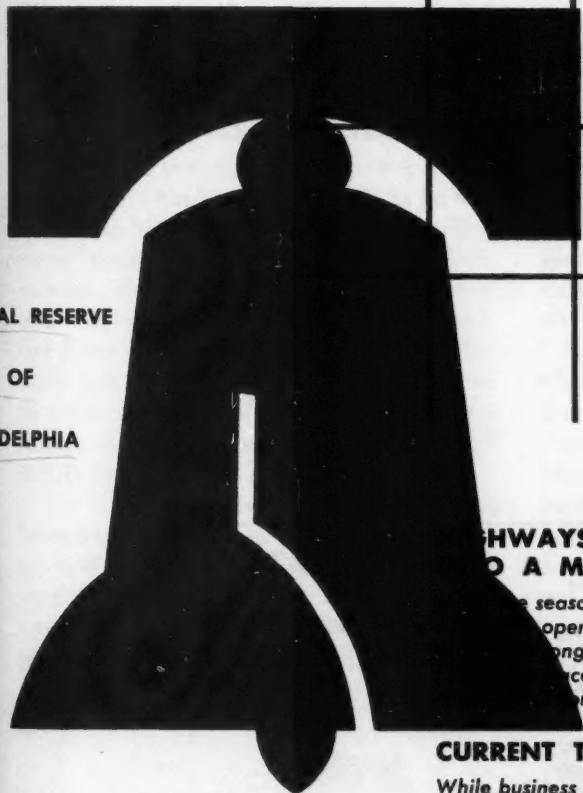
MONEY

business review

FEDERAL RESERVE

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HIWAYS: OUT OF THE MUD TO A MUDDLE

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...open road. All roads, however, are not always open
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CURRENT TRENDS

While business moved sidewise at a high level, vacation resorts prepared for their peak season. Optimism prevails in these areas, but activity has not measured up to some of the records set in the 1955 period.

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HIGHWAYS:



OUT OF THE MUD

The year 1909 was the horsiest in our history. We had 26 million horses. Two of them pulled the barouche that bore our heaviest President-elect up Capitol Hill for the inaugural ceremonies, and so William Howard Taft became President of a 26 million-horse-power economy.

Most of the intercity travel and transportation in those days was by steam railroad. At the time no one knew it, but the railroads were within seven years of their peak in terms of railway mileage. Most of the local travel and transportation was by horse and wagon. The horse took the doctor on his rounds to visit the sick. The horse took the farmer and his family to town on Saturday night. The horse did taxi service for hotels, delivery service for merchants, and R.F.D. service for the postoffices.

For local personalized transportation, the horse-and-buggy was in its heyday. Country roads of that period added up to a small fraction over 2 million miles. Only the fraction was paved or surfaced; the 2 million-mile portion was mud in winter and dust in summer. Horses

never complained, and people got around.

In 1909 there were already more than a quarter-million motor cars frightening horses off city streets and country roads. The horseless carriage, however, which made its appearance just before the turn of the century, was still the rich man's luxury. Automobiles in those days cost even more money than they do now and they did not come equipped with consumer credit. They were balky, jerky, and noisy, and for lack of suitable roads early motorists could not venture very far out of town.

How quickly all this changed! Counting horses' heads and radiator caps, we find that it took only two decades for the shift from the 1909 peak of 26 million horses to 26 million motor vehicles in 1929. Now we have a bumper-to-bumper multitude of motor vehicles on the highways, and the peak is not yet in sight. This is the most revolutionary change in the entire history of transportation.

The motor car has made us the most mobile people on the face of the earth. Estimates made



INTO A MUDDLE

by the Interstate Commerce Commission for the year 1954 give some indication of the amount and the kind of vehicular moving and hauling that goes on. In that year, Americans traveled 625 billion passenger-miles, and all but 8 per cent of that roaming around was by motor vehicle. The railways and airways scrounged for most of the remainder. Freight traffic in that year was over a trillion ton-miles. Half of it was carried by the railroads, about one-fifth by motor trucks, and the rest was almost equally divided between inland waterways and pipelines.

It is apparent from these estimates that most of the moving and hauling of people and property is done over the railways and the highways. For some years, traffic in ever-increasing volume has been going over the highways at the expense of the railways, with the result that railways are hungry for tonnage and highways, at least some of them, are heavily overloaded. Daily the imbalance is getting worse.

Railroads with heavy investments in lines and rolling stock face an ever-sterner struggle in their effort to make satisfactory earnings. They have already lost most of their intercity passenger traffic to the motor car, and now the airlines are cutting into their long-distance passenger traffic.

Revenue passenger-miles on all steam railways of the country decreased from 38 billion in 1921 to 29 billion in 1955, a decline of 24 per cent. Fortunately, ton-miles of freight, which is the bread-and-butter of the railroads, doubled during this period. Nevertheless, motor trucks have taken quite a slice of this business. Between 1921 and 1955 the fleet of motor trucks has increased almost tenfold to a mighty armada of 10 million. No wonder railway trackage is shrinking.

He who drives to work needs no statistics about overloaded highways. Wherever roads

cross or converge, traffic must inevitably slow down, and at crossroads and junctions in and near cities the honking herd grinds to a full stop before creeping and crawling through the highway bottlenecks. Monstrous motor trucks, like railway freight cars rolling on rubber, shorten the useful life of highways because the roads built prior to World War II were not designed to support the heavyweights. On the open road, speeding motorists with more horsepower under the hood than horse sense under the hat, contribute to the annual motor massacre in excess of 35,000 people and the maiming of millions. And the latest models now pouring out of the factories are equipped with safety belts, collapsible steering wheels, and still more horsepower.

The steadily deteriorating transport situation is complicated by the fact that the overbuilt railroads are private property and the underbuilt highways are public property. That puts the railroads at a disadvantage on several counts. To begin with, states, by issuing tax-free securities, can hire cheaper money to build highways than can the railroads to modernize their plant. Then, too, railroads point out the injustice of real-estate taxes levied on their privately owned roadbeds and other property while the roads traveled by their competitors are exempt from such taxes. The truckers naturally counter that they are heavily taxed for the privilege of highway use. Oil companies also point to the heavy taxes levied on their products.

The roots of our transport troubles are more tangled and go deeper into American history than most people think. Contributors to the problem are a long line of inventors with ideas, city builders without plans, a vast expanse of land, the lure of instalment buying, the heritage of local highway administration, and the ceaseless urge to be on the go.

FROM THE CARRIAGELESS HORSE TO THE HORSELESS CARRIAGE

The abundance of historical markers telling where George Washington once slept could easily be misinterpreted. He was not a sleepy President, but he traveled a lot and travel in his day was slow and tiring. Night overtook the traveler when his trip was beyond the day's endurance of a horse. George Washington got around no faster than Abraham of the Old Testament. For 4,000 years the speed of overland travel was virtually unchanged.

Colonial horsepower

The first European colonists came to a wilderness threaded only by streams and Indian trails. Accordingly, travel and transport had to go afoot or on horseback and by dugout or birch-bark canoe.

A river is a path and a mountain is a barrier to transportation. Consequently, the natural configuration of the land had an important influence upon Colonial transport. A moderate elevation beginning with the Northeastern Highland in New England rising to form the Appalachian Plateau in the Middle Atlantic and rising still higher in the South Atlantic states to form the Blue Ridge caused most of the rivers of the Eastern Slope of the elevation like the Connecticut, the Hudson, the Delaware, the Susquehanna, and the Potomac to follow a general south to southeasterly course to the ocean. Much of the early Colonial trade was carried on these rivers by arks, keelboats, rafts, and sailing sloops. Flour, grain, and whiskey from upstate Pennsylvania and southern New York were floated down the Susquehanna River for shipment to Philadelphia by pack horse.

Gradually, the colonies were connected by overland north-south routes along the coast. In

1717, post riders carried mail once a month during the summer along a 600-mile route from Boston by way of Philadelphia to Williamsburg, then the capital of Virginia. To push westward through the wilderness required a horse—a steed for passenger traffic and a pack horse for freight. The original routes were nothing but mere pack trails and Indian paths along the easiest pathways afforded by Nature.

Few indeed of the twentieth century club-car riders realize that they are following the trails originally blazed by the American Indian. Four of these modern, heavily traveled paths have ancient origins and were among the greatest overland routes into the interior of the country. Nemacolin's Path, which Washington followed on his mission to the French in 1754, was the forerunner of Braddock's ill-fated trek in 1755, and also the route of the National Road and later the Baltimore and Ohio Railroad. The Kittanning Path up the Juniata River to the Allegheny furnished the route of the Forbes Trail in 1758, and a century later the route of the Pennsylvania Railroad. Warrior's Path from the Shenandoah Valley through the Cumberland Gap to the Falls of the Ohio became Boone's Wilderness Road of 1769 over which Kentucky was settled. The Iroquois Trail from Albany to Lake Erie was the forerunner of the Great Genesee Road which was followed in a general way by the Erie Canal and the New York Central Railroad.

The Conestoga Wagon

Surveying the evolution of transportation, Hilaire Belloc gave currency to the theory that the vehicle makes the road. As long as the horse was the sole instrument of overland transportation, supplying both the motive power and a place to sit, there was indeed little need for

roads. This began to change in the latter half of the 18th century, however, when steeds were harnessed to coaches and pack horses were chained to wagons. "Rapid" public passenger service began in 1766 with the "Flying Machine"—a box wagon which ran regularly from Camden to Paulus Hook, now known as Jersey City where passengers had to ferry across the Hudson River to New York City. The entire trip took two days. At the dawn of the 19th century, freight wagon and stagecoach lines were operating between Boston and Savannah. The 1200-mile trip took about 22 days.

The overland transport of freight across the Alleghenies required a sturdy vehicle, and by 1783 the Conestoga Wagon was in general service over this route. The Conestoga Wagon was rugged, practical, and picturesque. With white homespun cover, blue body, and red sideboards, the Conestoga Wagon was decked out with patriotic colors. A curved body with both ends higher than the middle kept the load firmly in place while going uphill or down. The wheels, big and stout with wide tires, were made to travel on the poorest roads or no road at all. Drawn by four to six horses, the Conestoga Wagon moved along at two to three miles an hour—sometimes in solitary splendor and at other times in long, colorful caravans stretching uninterruptedly for miles.

The roads—if they could be called that—over which the Conestoga Wagons and stagecoaches traveled were wretched—worse than wretched. Sometimes they were impassable even for the high-wheeled, broad-tired "Prairie Schooner," as the Conestoga Wagon was frequently called. Lack of technical knowledge was one reason for bad roads, and another was the legal concept of road construction and maintenance inherited from England, the mother country.

In England, from time immemorial, local inhabitants were "of common right" bound to repair their own highways, and Colonial America followed the same practice. Almost invariably, local inhabitants found the duty of road maintenance a real burden. They had to devote unpaid labor to road repair and often had to provide the road-building material in addition. As a consequence, many roads were nothing more than a right of passage, and Conestoga Wagons needed harder bottom than that. It was the Conestoga Wagon that hastened the construction of turnpikes.

The Lancaster Turnpike

Better roads were obtained only after the main burden of construction and maintenance was shifted from local inhabitants to the travelers who used the roads. This was brought about by laws empowering corporate bodies to take tolls from road users, the proceeds being used to keep roads in repair.

The first important macadam road built in America was the Lancaster Turnpike from Philadelphia to Lancaster. The 62-mile road was completed in 1796 at a cost of \$7,500 a mile. It was called a turnpike after the English custom of imposing at each gate a barrier or pike which the keeper turned upon receipt of payment of the toll.

The Lancaster Turnpike was a financial success. For years it paid dividends up to 15 per cent to the stockholders. The success of the Lancaster Turnpike started a craze of turnpike construction. Many of the successors failed to make money, but highways were notably improved. Among the famous roads constructed during the first half of the 19th century was the Cumberland Road or National Pike from Cumberland, Maryland, to Vandalia, Illinois. It was

built by the Federal Government at a cost of \$7 million. Originally it was a free road maintained by the Federal Government, but later it was turned over to the states which then collected tolls.

Clinton's Big Ditch and the canal craze

Hard on the heels of the turnpike boom came the canal craze. It all began with the Erie Canal, sponsored by DeWitt Clinton, Governor of New York, and completed in 1825. The canal provided an all-water route through the Mohawk Valley from the Hudson River at Albany to Lake Erie, thereby opening up the Great Lakes region to the Atlantic Seaboard. The canal reduced the cost of freight from Albany to Buffalo from \$120 to \$14 a ton. As a result, New York City, which in 1820 was second in population and third in commerce, rushed ahead to become first in population, commerce, and business.

Canal fever swept the country. Many were talked of and never started; many were started and never finished; many were finished and never made money. Nevertheless, by 1830 more than 1,300 miles of canals were open to use in the United States.

Pennsylvania, not to be outdone by New York, undertook to build a canal from Philadelphia to Pittsburgh—regarded at the time as “the Golden Gateway to the West.” Known as the Main Line of Public Works, construction of the Pennsylvania Canal was begun in 1826. Eight years and \$40 million later when the Main Line of Public Works was completed, it was already obsolete and it was ultimately sold to the Pennsylvania Railroad for \$7½ million. Part railroad and part canal, it was a tremendous undertaking, fearfully and wonderfully constructed.

Traveling westward out of Philadelphia on the Main Line of Public Works, the passenger made

his first 81 miles to Columbia while seated on half a canal boat mounted on a flatcar hauled by the Philadelphia and Columbia Railroad. At Columbia, the bow and stern sections were linked together and the journey was resumed by water via the Eastern and Juniata Divisions of the Pennsylvania Canal for the 173-mile cruise up the Susquehanna and westward over the Juniata, which threads its way through the mountains, to Hollidaysburg. There the canal boat was again taken apart for the 36-mile piggy-back haul by the Allegheny Portage Railroad over the backbone of the Alleghenies to Johnstown. With breathless anxiety the passenger made the ascent with the help of five inclined planes, and the descent on the western slope was eased with another series of inclined planes. At Johnstown the canal boat was reassembled for the 105-mile trip by way of the Conemaugh, Kiskiminitas, and Allegheny rivers to Pittsburgh. The entire trip, consisting of 117 miles by rail and 278 miles by water, took about four days, but it was an improvement over the Conestoga Wagon which took 20 days.

While canal fever gripped the country, interest in roads lagged. It was difficult to raise funds for new construction, and existing roads in numerous places fell into a state of disrepair. People were turning their attention to another form of transportation, just on the horizon—the steam railroad.

The railroad craze

About 1830, railroads first made their appearance and there was nothing spectacular about their early growth. It was the shortage of steel, or rather the lack of a low-cost steel, that retarded the development of railroads. They had to rely on wooden coaches, wooden ties, and wooden tracks originally overlaid with a thin

strip of wrought iron. Most of the lines were confined to the East and the South, and it took about 30 years to build 30,000 miles of trackage.

Shortly after 1850, William Kelly of Kentucky invented the Bessemer process for making steel. With low-cost steel available for the first time, railway construction received a tremendous stimulus. In 1869, rails first spanned the Continent from the Atlantic to the Pacific. From the end of the Civil War to 1873, railway mileage doubled, and in the two ensuing decades it doubled again. The ever-increasing mileage afforded transportation from the populous East to the land-locked stores of natural wealth in the West. The expansion phase continued to 1916, when we reached a peak of a quarter-million miles of railway track.

The expansion was accompanied by ever-improving plant and equipment. Efficiency and reliability of service were progressively advanced by technical developments such as the airbrake, the refrigerator car, heavier rails, faster rolling stock, and the adoption in 1886 of standard-gauge track by all railroads. So it was that railroads took over most of the passenger and freight transportation between cities.

Meanwhile roads fell into complete and utter neglect. Year after year the physical condition of our highways degenerated. In numerous places they could scarcely be distinguished from the fields they separated but for the fences on either side of the road. By the time the automobile appeared we probably had the worst highways among the leading industrialized countries of the world.

A number of reasons other than the flourishing railroads accounted for the neglect of highways. Among these were our vast expanse of territory, the effort to maintain too many highways, the expense of repairing them properly,

popular indifference to highways, and finally a defective system of road laws.

Throughout the second half of the 19th century, practically no assistance was given to local governments for road construction and maintenance, and most townships—or towns as they are called in some parts of the country—had inadequate revenue. Under the township system of road management there was an annually elected overseer of roads. The job was a political sinecure. Road maintenance was founded upon a medieval poll-tax method of finance. The taxpayer “worked out” the tax assessed against him. On a certain day he would appear with a team, plow, scraper, and wagon, and by putting in one day with this equipment he got five days’ credit from the pathmaster. A large part of the day was put in by sitting on the fence, swapping stories with neighbors who were similarly “working out” their taxes, while the horses munched leaves from the overhanging branches of the roadside trees. A large part or all of the “road improvement” was likely to be washed away by the next downpour of rain. As the wagon traffic became heavier, roads became poorer and poorer until they were gutted and rutted in mud.

The good-roads movement

The deplorable condition of our roads ultimately gave rise to a road-reform movement which began with a few voices crying in the wilderness and wound up as a first-class crusade that brought results. Perhaps it was the difficulty of getting around in his professional pursuits that urged Harvard’s geologist, Nathaniel S. Shaler, to champion the cause for good roads in the early 1890’s. He was joined in spreading the good-road gospel by Penn’s professor of civil engineering, Lewis M. Haupt, and by Jeremiah W. Jenks, professor of political science and Eng-

lish and expositor extraordinary from Knox College.

The professors were soon joined by others with more immediate pecuniary interest in good roads. In the '90s, cycling was a popular adult sport, but for lack of surfaced roads the bicycle was confined largely to city streets. Consequently, the bicycle manufacturers and the League of American Wheelmen were quick to join the good-roads cause.

Strange as it may seem, the railroads also joined the crusade for better roads. Bad roads practically immobilized farmers throughout the long winter months, and the railroads looked upon good roads as feeders of potential freight and passengers to all the way stations along their lines. Not until 1916 did the railroads generally come to realize that highways were competitive rather than complementary.

Ultimately, however, it was the automobile interests that became the most vociferous and powerful champions for better roads. These included the manufacturers of automobiles and accessories, the petroleum refiners, and the automobile associations. Of course this did not happen until the horseless carriage became an automobile.

The horseless carriage

In the early 1890's Ford, Haynes, Duryea, and others began to make progress on a device designed to take the horse but not the carriage off the highways. Ford's ultimate success is common knowledge. The difficulties encountered by him and other automotive pioneers have long since been forgotten. The early cars had their own shortcomings and so did the roads.

The first automobiles were poky and the administration of roads over which they ran was parochial. Motors were temperamental and had

to be cranked by hand. Tires were weak and a topic of conversation if they withstood the strain of a 100-mile trip, provided that much navigable road could be found. Headlights had glass doors which had to be opened to light the gas with a match for illumination by night. Tool boxes were standard equipment but tops and windshields were extras.

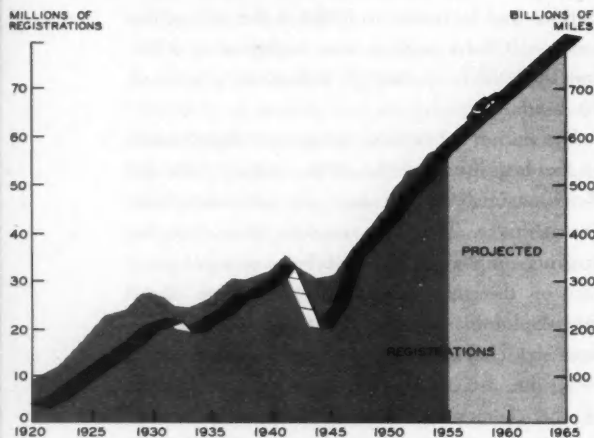
Within a few short years the automobile lost its horseless-carriage appearance and performance. By a succession of mechanical inventions and improvements in design, the automobile steadily became a more reliable instrument of transportation.* Its public acceptance is portrayed by the rising rate of registrations. Beginning with four cars registered in 1895, registrations had increased to 8,000 at the turn of the century. Over a million were registered in 1913, and by 1916 more than 3 million cars were on the road.

The nation's 2 million miles of country roads at the beginning of the 20th century retained their medieval appearance and administration. Townships continued to neglect them, but the growing number of automobile owners put pressure on the authorities to do something about the deplorable road conditions. Regulatory measures characterized early administration. In 1907, the chairman of the legislative committee of the American Automobile Association reported that 31 states required registration of motor vehicles and charged fees ranging from 25 cents to \$25, that eight states extended no privileges whatsoever to motorists from other states, and that speed limits varied from four to 20 miles an hour.

New Jersey was the first state to foresee and do something about the inadequacy of local administration of roads. The first state-aid law passed by New Jersey in 1891 authorized coun-

ties to improve roads and to raise money therefor by the issuance of county bonds, offered state aid to the counties for road improvement, abolished the office of overseer of highways, and required that "all road taxes are to be paid in money." Essex and Union counties in New Jersey, across the Hudson River from New York City, were the first to build hard-surfaced roads, which surprisingly touched off a suburban real-estate boom. By 1904, 13 states had some form of state aid, and by 1917 all 48 states offered assistance to their local subdivisions in some form or other.

MOTOR VEHICLE REGISTRATIONS AND
MILES OF TRAVEL—UNITED STATES



As a group, the people who were stuck deepest in the mud were the farmers. Consequently, much of the early moralizing and memorializing in the interest of better roads was directed toward aiding the farmer. It was argued that good roads were to be had with no great increase in taxes, that farm produce could be brought to market at reduced transportation costs, that farm land values would increase and, for good meas-

ure, that good roads would facilitate the flow of urban culture into rural communities.

Uncle Sam reaches for his wallet

Before 1916, Federal participation in the better-roads movement was confined chiefly to educational and promotional activities. But with the passage of the Federal Aid Road Act that year, dollars for highways began to flow out of Washington. Federal aid to good roads is based upon Constitutional authority and directive—to establish post roads, regulate commerce, provide for the common defense, and promote the general welfare.

The joint Federal-State highway construction program continues in much the same way as it was started. Funds provided by Congress are divided among the states in proportion to their areas, population, and mileage of rural mail routes. Uncle Sam's money is used only for construction and must be matched by the states in general with an equal amount of their own money. The states select the roads to be improved, make the surveys, determine the type of improvement, and supervise the construction.

An improvement in the Federal-aid policy was made in 1921 by a law which confined Federal aid to the principal interstate and intercounty highways selected by the states. Originally, this was limited to about 7 per cent of the total mileage of rural roads then existing, and in the selection of the roads particular attention was paid to designating major roads that formed a nationwide network of heavily traveled roads.

The last Model-T and Model-T highways

Highway construction during the 1920's was directed mainly toward getting the farmer out of the mud. There was no expansion in actual mileage of rural roads; the total of about 3 million

miles which had been reached shortly after World War I has not changed much since then. But the surfaced mileage which was scarcely 400,000 in 1921 had increased to 700,000 miles by 1930. Hard-top was the most vital need of the 20's, and to that end most of the road improvement was directed.

This was the day of the Model-T Ford—the ubiquitous, palpitating, horseless carriage that always came in assorted colors of black. Almost half the cars on the roads were Model-T's and they got along much better after the roads were veneered with crushed stone or asphalt. Improvement of width, grades, and curves was of minor importance during the Model-T age. But all this was to change very soon. Competition from other automobile manufacturers forced the discontinuance of the Model-T Ford in 1927. Thus ended the age of the horseless carriage and the Model-T era of highways.

Mass production and mass destruction

During the 1930's the states practically completed their task of surfacing the most heavily traveled roads; meanwhile the manufacturers of motor cars steadily improved the arts of mass production and mass distribution of their products. Through mass-production magic, mountains of iron ore became millions of motor cars to roll over the newly surfaced roads. The million motor vehicles on the roads in 1913 had increased to 10 million by 1921, to 20 million by 1925, and to 30 million by 1939.

The newly surfaced road system soon broke down under the rapidly rising avalanche of motor traffic. Motor vehicles increased not only in numbers but also in size, usage, speed, and weight. Passenger cars became larger, faster, and more luxurious; consequently, passenger-car travel was no longer confined to the luxury of a

Sunday-afternoon ride but became an integral part of everyday living. Business concerns found the motor truck of ever-increasing utility, and bigger trucks could haul heavier loads. The roads could not take it; they wore out or became too costly to maintain, so the highway builders had to start all over again.

The rebuilding program called for wider roads with stronger foundations and smoother surfaces. Heavier bridges had to be built, steep hills were cut down, depressions filled in, sharp curves rounded and banked, and blind spots removed. Road builders had a hard time in the race between construction and destruction.

During World War II, highway construction virtually came to a halt and maintenance of existing roads fell far behind schedule. Highways were spared some unnecessary civilian usage because of wartime rationing of gasoline and tires, but the highways took a severe beating from the increased traffic incident to our national defense activities. At the same time, practically all labor and materials were channeled directly into the war effort, so that highway maintenance was severely handicapped. About the only new roads constructed were feeder roads to newly established factories and military establishments. In short, the war was rough on our roads.

Since the end of World War II, motor traffic has become terrific. It grew from one-third to more than a half-trillion vehicle miles. Traffic snarls and accidents multiplied, insurance rates climbed, traffic jams became longer and tempers shorter.

The road builders and road menders are unable to keep up with the car builders and car vendors. In heavily populated areas the profusion of traffic grows worse every day. Maintenance barely keeps up with the accelerating wear and tear. Highway construction is getting cost-

lier, congestion thicker, travel riskier, and parking space scarcer.

Motor transportation has become a national problem of major magnitude. Billions of expenditures already incurred by thousands of governmental units—Federal, state, municipal,

county, and township—have gotten us out of the mud. But we are in a muddle.

After wrestling with the problem for a long time, Congress passed a new highway bill late last month. Some aspects of the bill will be considered in a later issue of the *Business Review*.

CURRENT TRENDS

Resort Areas Look For A Good Season — But Perhaps Not Another 1955

A significant feature in the 1956 trend of business seems to have been its sidewise movement at a very high level for so many months. And this was just about what most qualified observers had been expecting. In some sections of the economy, like business spending and automobiles, the ups and downs since the turn of the year have proved unexpectedly sharp. But in other areas, like homebuilding, activity has remained almost on dead center below the 1955 level.

Over-all, the sum of changes witnessed these past six months or so has probably come closer to what is frequently spoken of as a "rolling adjustment" than anything yet experienced in the post-war period. Through it all, employment in the aggregate has shown remarkable stability. Total spending power also has been well preserved, as indicated by a continuation of the rising trend in consumer outlays for both goods and services.

Until recently, the thought that major adjustments were behind us seemed to be gaining considerable favor. The warm-weather months of July and August were looked upon as a period when the stage might be set for a resumption of

the forward push in an increasing number of lines. But that was before the nationwide steel strike became a reality, injecting new uncertainties into a situation that appeared so stable.

In addition to the steel workers themselves, many railroad employees are affected immediately, because the nation's carriers are so heavily dependent on freight tonnages originating in the mills or supported by their activity. For the steel-consuming industries that normally schedule plant closings for vacations during July, the full impact of lost steel production will be delayed several weeks. Thus, the extent to which recent business thinking must be revised will depend on how long it takes to settle the dispute and get basic steel back into full production.

Optimism prevails in Third District resort areas

Meanwhile, vacation time is at hand with the prospect of ten weeks or more of "big" business in the summer resort areas all over the country. In this Federal Reserve District the mountains and the seashore become the focal points of interest where proprietors have made extensive preparations for the weeks ahead. As the influx

of summer visitors gets under way, hotelmen, restaurant owners, and those who operate amusements and retail shops in our shore and mountain resorts seem optimistic regarding the outcome of this vacation season. It's a little early to make predictions comparing this season with last. However, 1955 was an unusually good year and one that would be hard to beat.

Advance bookings are near high 1955 levels

Hotels, guest houses, and cottages along the New Jersey and Delaware coasts and in the mountain resorts of eastern and southern Pennsylvania tell us of heavy registrations for all of July and in many cases for the first half of August. As always, the period from mid-August until Labor Day remains something of a question mark. Weather seems to be the deciding factor. And, as we all know, last year's August weather left much to be desired from a resort man's standpoint. In our area, the spring months frequently are too cool and too wet to encourage either early vacation planning or the weekend jaunts that have become so important in the whole season's picture. This was the case this year. But by the time schools were closed, preparations for the annual holiday were in full swing and warmer weather was encouraging motorists to make those one- or two-day pre-season visits to a favored shore or mountain retreat.

Motels are attracting more visitors

Commercial construction in Third District resort areas has been given a decided boost by the great number of motels that have been built in the past two years. This year the pace seemed to accelerate in many places, particularly in the shore areas, where in some cases local ordinances were changed to permit the existence of motels. With

new superhighways and bridges to encourage visitors from greater distances, the motels have been given credit for bringing new guests into coast resorts from southern Delaware to northern New Jersey. And in most places this type of accommodation does not appear to have drawn many visitors away from the established hotels and guest houses.

The growth and popularity of motels also have been noteworthy in parts of the Poconos and in other mountain resort areas of Pennsylvania. Current reports from practically all of these vacation spots indicate excellent patronage for the motels—from early season on, and by both weekend and longer-staying guests. In the mountains, early-season occupancy frequently runs higher in motels than in some of the larger hotels and guest houses. The newer motels are more pretentious affairs than those built a few years ago. Some of them even provide swimming pools and other recreational facilities approaching those offered by the old established hotels. Another measure of motel popularity is the fact that many of them have found it necessary to add a substantial number of units this past year.

Rates and rentals about the same as last season

Neither hotel rates nor cottage rentals are showing much change this year. Early and late season concessions, to be sure, are standard practice in many places and for 1956 the usual pattern seems to prevail. Most of our resorts still are experiencing "growing pains" in response to the increasing demand for accommodations. But with new motels coming in and summer cottage construction continuing at relatively high levels, available facilities even at the peak season have kept just enough ahead of the demand to relieve any serious pressure for rate

advances. Surprising as it may seem, motel rates in many places are very little lower than in the hotels. In the case of some of the more pretentious motels, rates are comparable with first-class hotels.

Restaurant business has been a little slow starting

The too-cool, too-wet, weekends this spring did nothing to help the early-season restaurant business at any of the resort areas in this district. But this is not an unusual experience and most proprietors feel that good summertime receipts will offset much of the lag. Since mid-June, patronage has increased steadily and the spending pattern of customers appears about as liberal as in the 1955 season. Competition in this area of the vacation business is increasing, perhaps more so than in some others. However, weekend crowds still tax the capacity of restaurants in most resorts, so their owners don't complain too much when there is no lineup of patrons waiting to be served during the week.

Amusements are getting their share now

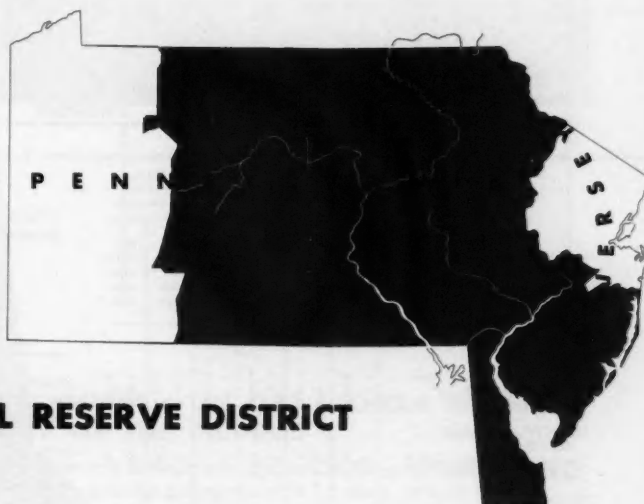
Spending on amusements and for other forms of recreation also is said to be running close to a year ago, and the 1955 season was a good one. Early season weekend receipts were not on a par with last year, but in that respect last year was almost phenomenal. In 1955, Memorial Day was a three-day affair; Independence Day was another. And in between were some of the finest weekends, weatherwise, that have turned up in a long time. But in one sector of the amusement field—the so-called “games of chance” that dot the boardwalks along the New Jersey Coast—concession owners are most unhappy because of a State Supreme Court ruling outlawing such games.

Retail volume has been holding up well

Merchants in both mountain and seashore vacation areas report retail sales increasing seasonally from generally satisfactory levels prevailing through May and June. In gift shops, however, sales got off to a late start, owing to unfavorable weather on several early weekends. Stores carrying a more general type of merchandise also found that strictly seasonal items were moving more slowly than a year ago, although more staple lines were in strong demand. Many of our shore resorts have been experiencing a steady growth in their year-round population—principally retired people who have moved down from the larger cities. This segment of the local population has contributed greatly to the stability of retail sales in off-season periods. Virtually all retailers seem to feel that July and very likely early August sales will measure up to the high levels reached in 1955.

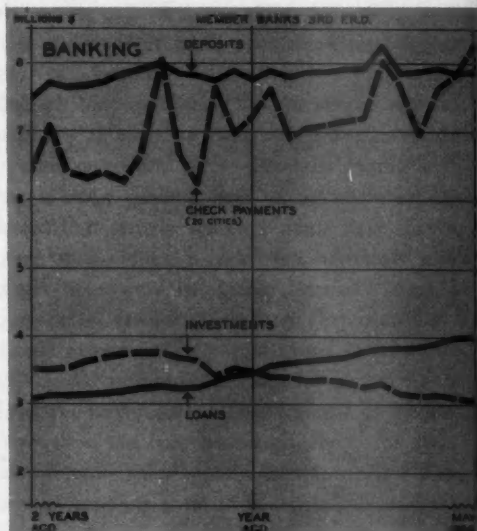
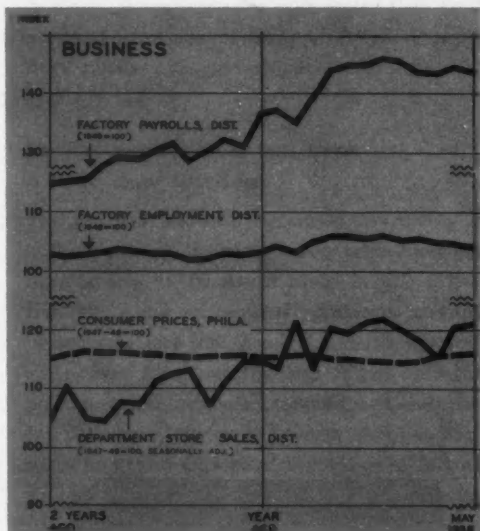
Weather is a factor that is hard to measure

Since the experience of last August—hurricanes and threats of hurricanes at the shore and a devastating flood in parts of the Poconos—businessmen in resort areas will be watching the late-season weather pattern with much more than a passing interest. That is not to say that August weather might make or break them. But a good month this year would go far toward offsetting the season's late start and the fact that the two summer holiday weekends were short ones. Some appear to feel that vacationists have become overly conscious of the weather. Others think that summertime visitors, having grown more accustomed to “blow-by-blow” reports of approaching storms, will take them more in stride, as was the case when most disturbances were just plain old-fashioned northeasters.



THIRD FEDERAL RESERVE DISTRICT

FOR THE RECORD...



SUMMARY	Third Federal Reserve District			United States		
	Per cent change			Per cent change		
	May 1956 from		5 mos. 1956 from year ago	May 1956 from		5 mos. 1956 from year ago
	mo. ago	year ago		mo. ago	year ago	
OUTPUT						
Manufacturing production.....	-1	-1	+3	-2	+2	+5
Construction contracts*	-3	+4	+3	-2	+6	+11
Coal mining.....	-4	+9	+12	-1	+10	+16
INCOME						
Factory employment (Total)...	-1	+1	+2	-1	+2	+4
Factory wage income.....	-1	+5	+9			
TRADE**						
Department store sales.....	0	+5	+6	0	+4	+5
Department store stocks.....	-1	+9		-1	+8	
BANKING (All member banks)						
Deposits.....	0	+2	+1	0	+2	+2
Loans.....	+1	+16	+17	+1	+17	+17
Investments.....	-1	-12	-13	-2	-11	-11
U.S. Govt. securities.....	-1	-12	-13	-2	-13	-13
Other.....	-2	-11	-13	-2	-3	-3
Check payments.....	+6	+15	+10	+5	+11	+10
PRICES						
Wholesale.....				+1	+4	+3
Consumer.....	0	+1	0	0	+1	+1

*Based on 3-month moving averages.

**Adjusted for seasonal variation.

†20 Cities

‡Philadelphia

LOCAL CHANGES	Factory*				Department Store				Check Payments	
	Employment		Payrolls		Sales		Stocks			
	Per cent change May 1956 from		Per cent change May 1956 from		Per cent change May 1956 from		Per cent change May 1956 from		Per cent change May 1956 from	
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Allentown...	0	+4	+2	+13					+7	+22
Harrisburg...	-1	+7	+4	+18					-2	+11
Lancaster...	0	+4	-2	+8	+41	+6	-7	+11	+6	+15
Philadelphia...	0	0	0	+5	+11	+5	-3	+11	+8	+14
Reading...	0	+2	0	+8	+8	+4	-6	+4	+4	+12
Scranton...	0	+3	-1	+11	+23	+8	-3	+8	+5	+19
Trenton...	-2	+3	-3	+5	+5	-2	-4	-6	+12	+25
Wilkes-Barre...	-4	-5	-4	0	+12	-1	-3	-1	+8	+10
Wilmington...	-3	-2	-1	+1	+16	+18	-3	+15	-14	+13
York...	+1	+3	+1	+9	+3	+7	-6	+10	+6	+18

*Not restricted to corporate limits of cities but covers areas of one or more counties.

